



Reinvestment
PARTNERS
PEOPLE • PLACES • POLICY

Docket Number R-1723 and RIN Number 7100-AF94

To Whom it May Concern:

On behalf of Reinvestment Partners, I would like to convey my support of the Federal Reserve's Advanced Notice of Proposed Rulemaking (ANPR) on the Community Reinvestment Act (CRA). We believe that the proposed changes to the Community Reinvestment Act regulations outlined in the ANPR by the Federal Reserve Board will build upon and enhance the current CRA regulations, not tear them down as the final rule of the Office of the Comptroller of the Currency does.

Reinvestment Partners is a nonprofit community development organization in North Carolina. Our mission is to foster healthy and just communities by empowering people, improving places, and influencing policy. We address the problems of poverty and social injustice in the areas of food, housing, community development, health, and financial services. Reinvestment Partners provides housing counseling services, invests in neighborhood stabilization through the redevelopment of properties, develops affordable housing, and provides access to healthy food through a produce prescription program.

Reinvestment Partners works at the intersection of health and community development. In order to best promote health and economic recovery from the COVID-19 pandemic, we need healthy housing, steady job growth, decent schools, and green spaces in our communities. The Federal Reserve Board must strengthen CRA exams in order to encourage banks to make loans and investments for affordable housing, community facilities and local small businesses.

In the ANPR, the Federal Reserve has described approaches that will make CRA exams more objective. While we appreciate the Federal Reserve's overall approach, we question whether the approach will actually make grading tougher. If nearly every bank continues to pass their CRA exams, banks will not engage in serious efforts to help communities of color and low- and moderate-income (LMI) neighborhoods recover from the pandemic. We need exams that will reveal distinctions in performance rather than providing a broad "pass".

The Federal Reserve emphasizes improving the performance measures on CRA exams including those used on the lending test that compare a bank's percent of loans to LMI borrowers to other lenders. The Federal Reserve does not describe in detail the impact of its reforms on CRA ratings except to hint that banks may continue to receive the same grades.

Moreover, the Federal Reserve is proposing to reduce the number of ratings on a state level and on subtests from five to four. This proposal would result in fewer distinctions in performance whereas new CRA exams must reveal more distinctions in order to motivate banks

to be more responsive to COVID-19 recovery needs. Five ratings must be retained on the state level and on subtests.

The Federal Reserve Board ANPR proposes to build upon the existing CRA exam structure of separate tests for retail and community development activity. Separate tests are needed in order to ensure banks are responding adequately to the variety of local needs. The Federal Reserve is exploring how to create assessment areas, geographical areas on CRA exams that receive ratings, that will capture lending and deposit-taking activity outside of branch networks. These issues are becoming increasingly important. We support the proposals to expand assessment areas, which are geographical areas on CRA exams. In addition to areas around branches, assessment areas must also include areas outside of branches with significant amounts of bank lending or deposit taking.

We do not support expanding qualifying financial education to any income since LMI consumers and people of color are most likely to be unbanked as revealed by surveys of the Federal Deposit Insurance Corporation (FDIC). Likewise, the Federal Reserve should further develop its procedures for awarding CRA credit for financing affordable housing that is unsubsidized so that such financing actually serves LMI residents.

CRA must be strengthened in order to combat discrimination. We ask the Federal Reserve to consider explicitly including race on CRA exams. The agencies have hesitated to do so but we believe that the CRA statute allows this since the law emphasizes banks meeting credit needs in all communities, but particularly underserved ones. Since the start of the pandemic, about 41% of African American businesses have been closed compared to just 17% of White-owned small businesses. Discrimination in lending contributes to these differences in survival rates. A NCRC investigation found that African Americans applying for Paycheck Protection Program (PPP) loans for their small businesses during the pandemic were likely to receive less information than Whites.

CRA exams could include performance measures assessing lending, investing, branching and services to people of color and communities of color. The Federal Reserve could also provide CRA consideration for lending and investing in majority minority census tracts outside of assessment areas just as the Federal Reserve is considering for Indian reservations and other underserved areas.

In the interest of reaching underserved areas, we strongly support the Federal Reserve's proposals to improve data collection including community development financing data, which would better enable stakeholders to determine communities most in need.

Reinvestment Partners also supports the Federal Reserve's proposals to improve the publicly available CRA data. In particular, community development activities will be increased if banks are held accountable via publicly available data. This data would reveal how many loans and investments banks are making in the various categories of community development compared to their peers.

We appreciate the direction the Federal Reserve has embarked upon but caution that it must not end up with proposals that replicate existing CRA ratings inflation as this will not help our communities devastated by COVID-19.

Sincerely,

A handwritten signature in cursive script that reads "Peter Skillern". The ink is dark and the signature is fluid and connected.

Peter Skillern
Executive Director